

TOWN OF KIEFER, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2013

Ralph Osborn, CPA
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Bristow, OK 74010-1015

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Kiefer, Oklahoma

I have audited the accompanying financial statements of the Town of Kiefer, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Kiefer's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Kiefer as of June 30, 2013, and the respective changes in financial position - modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

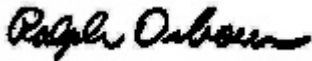
Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Matters

The Town of Kiefer, Oklahoma has not presented Management's Discussion and Analysis and budgetary comparison schedules that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 15, 2014, on my consideration of Town of Kiefer's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 15, 2014

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2013

	Primary Government		
	Governmental	Business	
	Activities	Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 227,333	\$ 580,890	\$ 808,223
Total current assets	<u>227,333</u>	<u>580,890</u>	<u>808,223</u>
Non-current assets:			
Capital assets			
Land	203,500	-	203,500
Other capital assets net of			
Accumulated depreciation	<u>1,065,916</u>	<u>748,054</u>	<u>1,813,970</u>
Total non-current assets	<u>1,269,416</u>	<u>748,054</u>	<u>2,017,470</u>
Total assets	<u>1,496,749</u>	<u>1,328,944</u>	<u>2,825,693</u>
LIABILITIES			
Current liabilities:			
Utility deposits	-	71,054	71,054
Lease obligations, current	15,123	5,293	20,416
Note payable, current	-	2,096	2,096
Bonds, current	<u>55,000</u>	<u>-</u>	<u>55,000</u>
Total current liabilities	<u>70,123</u>	<u>78,443</u>	<u>148,566</u>
Non-current liabilities:			
Lease obligations, non-current	24,145	4,104	28,249
Bonds, non-current	<u>390,000</u>	<u>-</u>	<u>390,000</u>
Total non-current liabilities	<u>414,145</u>	<u>4,104</u>	<u>418,249</u>
Total liabilities	<u>484,268</u>	<u>82,547</u>	<u>566,815</u>
NET ASSETS			
Nonspendable	785,148	665,507	1,450,655
Restricted for			
Debt service	58,993	-	58,993
Assigned	149,651	580,890	730,541
Unrestricted	<u>18,689</u>	<u>-</u>	<u>18,689</u>
Total net assets	<u>\$ 1,012,481</u>	<u>\$ 1,246,397</u>	<u>\$ 2,258,878</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2013

Function/Programs	Program Revenue				Net Revenue
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 264,828	\$ 25,485	\$ -	\$ -	\$ (239,343)
Public safety	277,373	77,704	4,484	-	(195,185)
Parks and recreation	5,684	-	-	-	(5,684)
Street	24,119	-	-	-	(24,119)
Administration	6,210	-	-	-	(6,210)
Legal	9,990	-	-	-	(9,990)
Total governmental activities	<u>588,204</u>	<u>103,189</u>	<u>4,484</u>	<u>-</u>	<u>(480,531)</u>
Business-type activities					
Utility service	<u>635,594</u>	<u>743,912</u>	<u>-</u>	<u>-</u>	<u>108,318</u>
Total business-type activities	<u>635,594</u>	<u>743,912</u>	<u>-</u>	<u>-</u>	<u>108,318</u>
Total primary government	<u>\$ 1,223,798</u>	<u>\$ 847,101</u>	<u>\$ 4,484</u>	<u>\$ -</u>	<u>\$ (372,213)</u>

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense) revenue	\$ (480,531)	\$ 108,318	\$ (372,213)
General revenues			
Taxes			
Sales/Use	339,454	-	339,454
Franchise	58,268	-	58,268
Property	66,901	-	66,901
Other tax	26,141	-	26,141
Donations	2,784	-	2,784
Loss on sale of assets	(5,057)	-	(5,057)
Miscellaneous	10,853	-	10,853
Interest	<u>1,534</u>	<u>1,801</u>	<u>3,335</u>
Total general revenue	<u>500,878</u>	<u>1,801</u>	<u>502,679</u>
Change in net assets	20,347	110,119	130,466
Net assets - beginning	<u>992,134</u>	<u>1,136,278</u>	<u>2,128,412</u>
Net assets - ending	<u>\$ 1,012,481</u>	<u>\$ 1,246,397</u>	<u>\$ 2,258,878</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
JUNE 30, 2013

	General Fund	Special Sales Tax	Debt Service	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 18,689	\$ 98,224	\$ 58,993	\$ 51,427	\$ 227,333
TOTAL ASSETS	<u>\$ 18,689</u>	<u>\$ 98,224</u>	<u>\$ 58,993</u>	<u>\$ 51,427</u>	<u>\$ 227,333</u>
LIABILITIES AND FUND BALANCES					
FUND BALANCES					
Reserved for Debt service	-	-	58,993	-	58,993
Assigned	-	98,224	-	51,427	149,651
Unreserved	18,689	-	-	-	18,689
TOTAL FUND BALANCES	<u>18,689</u>	<u>98,224</u>	<u>58,993</u>	<u>51,427</u>	<u>227,333</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 18,689</u>	<u>\$ 98,224</u>	<u>\$ 58,993</u>	<u>\$ 51,427</u>	<u>\$ 227,333</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
WITH THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

Total fund balance		\$ 227,333
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Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Land	203,500	
Capital assets	1,737,097	
Accumulated depreciation	<u>(671,181)</u>	1,269,416

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:

Bonds payable	(445,000)	
Lease payable	<u>(39,268)</u>	<u>(484,268)</u>

Total net assets		<u>\$ 1,012,481</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Special Sales Tax	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Sales/Use tax	\$ 260,040	\$ 79,414	\$ -	\$ -	\$ 339,454
Franchise tax	58,268	-	-	-	58,268
Property tax	-	-	66,901	-	66,901
Other tax	26,141	-	-	-	26,141
Intergovernmental	4,484	-	-	-	4,484
Licenses and permits	25,485	-	-	-	25,485
Fire service	2,750	-	-	10,453	13,203
Fines and forfeitures	-	-	-	64,501	64,501
Donations	-	1,017	-	1,767	2,784
Sale of assets	-	4,686	-	-	4,686
Miscellaneous	10,853	-	-	-	10,853
Interest	66	1,362	106	-	1,534
Total revenue	<u>388,087</u>	<u>86,479</u>	<u>67,007</u>	<u>76,721</u>	<u>618,294</u>
Expenditures					
Current					
General government	241,209	-	-	-	241,209
Public safety	157,179	485,973	-	7,596	650,748
Parks and recreation	2,330	-	-	309	2,639
Street	17,728	1,579	-	-	19,307
Administration	6,210	-	-	-	6,210
Legal	9,990	-	-	-	9,990
Debt service					
Bond principal paid	-	-	15,000	-	15,000
Interest and other charges	-	-	10,285	-	10,285
Total expenditures	<u>434,646</u>	<u>487,552</u>	<u>25,285</u>	<u>7,905</u>	<u>955,388</u>
Excess (deficiency) of revenue Over expenditures	<u>(46,559)</u>	<u>(401,073)</u>	<u>41,722</u>	<u>68,816</u>	<u>(337,094)</u>
Other financing sources (uses)					
Bond costs	-	(17,750)	-	-	(17,750)
Net other financing sources (uses)	-	(17,750)	-	-	(17,750)
Transfer in	48,000	-	-	600	48,600
Transfer out	(600)	-	-	(48,000)	(48,600)
Net transfers	<u>47,400</u>	<u>-</u>	<u>-</u>	<u>(47,400)</u>	<u>-</u>
Net changes in fund balances	841	(418,823)	41,722	21,416	(354,844)
Fund balances, beginning	<u>17,848</u>	<u>517,047</u>	<u>17,271</u>	<u>30,011</u>	<u>582,177</u>
Fund balances, ending	<u>\$ 18,689</u>	<u>\$ 98,224</u>	<u>\$ 58,993</u>	<u>\$ 51,427</u>	<u>\$ 227,333</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net changes in fund balances - total governmental funds \$(354,844)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those cost are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(73,647)	
Loss on sale of assets	(9,743)	
Capital outlay	<u>468,225</u>	384,835

Repayment of bonds and lease obligation principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activity.

Proceeds from lease purchase	(31,169)	
Repayment of bond	15,000	
Repayment of lease purchase	<u>16,116</u>	(53)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. Those include the net decrease in insurance reserve of \$9,591.

	<u>(9,591)</u>	
Change in net assets		<u>\$ 20,347</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
MODIFIED CASH BASIS
JUNE 30, 2013

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 580,890
Total current assets	<u>580,890</u>
Non-current assets	
Capital assets:	
Capital assets, net of accumulated depreciation	<u>748,054</u>
Total non-current assets	<u>748,054</u>
Total assets	<u>1,328,944</u>
LIABILITIES	
Current liabilities:	
Utility deposits	71,054
Notes payable, current	2,096
Lease obligation, current	<u>5,293</u>
Total current liabilities	<u>78,443</u>
Non-current liabilities:	
Lease obligation, non-current	4,104
Notes payable, non-current	<u>-</u>
Total non-current liabilities	<u>4,104</u>
Total liabilities	<u>82,547</u>
NET ASSETS	
Nonspendable	665,507
Assigned	<u>580,890</u>
Net assets of business-type activities	<u>\$1,246,397</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Natural gas	\$ 305,107
Wastewater charges	255,634
Sanitation charges	144,578
Tap fees	21,800
Penalty	14,871
Other	<u>1,922</u>
Total operating revenues	<u>743,912</u>
<u>OPERATING EXPENSES</u>	
Personal services	92,993
Natural gas and transportation	140,043
Sanitation contractor	127,901
Insurance	13,112
Materials and supplies	128,399
Other operating expenses	82,080
Depreciation	<u>50,099</u>
Total operating expenses	<u>634,627</u>
Operating income (loss)	<u>109,285</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest income	1,801
Interest expense	<u>(967)</u>
Total non-operating revenue (expenses)	<u>834</u>
Change in net assets of business type activities	110,119
Total net assets, beginning	<u>1,136,278</u>
Total net assets, ending	<u>\$1,246,397</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013

Cash flows from operating activities	
Cash received from customers	\$ 746,643
Cash payments to employees	(92,993)
Cash payments to suppliers for goods and services	<u>(491,535)</u>
Net cash provided (used) by operating activities	<u>162,115</u>
Cash flows from capital and related financing activities	
Interest paid on notes payable and lease obligations	(967)
Principal paid on notes payable and lease obligations	<u>(13,185)</u>
Net cash used for capital and related financing activities	<u>(14,152)</u>
Cash flows from investing activities	
Interest revenue	<u>1,801</u>
Net cash provided by investing activities	<u>1,801</u>
Net increase in cash and cash equivalents	149,764
Cash and cash equivalents, beginning	<u>431,126</u>
Cash and cash equivalents, ending	<u>\$ 580,890</u>
Reconciliation of operating income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ 109,285
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	50,099
Changes in assets and liabilities:	
Increase in Utility deposits	<u>2,731</u>
Net cash provided by operating activities	<u>\$ 162,115</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Kiefer, Oklahoma, was incorporated in 1907 under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria Kiefer Public Works Authority is the only component unit. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Kiefer Public Works Authority. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Kiefer Public Works Authority was created May 25, 1967 under the provisions of Title 60, Sections 176 to 180, Oklahoma Statutes 1961. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates natural gas, sanitation, and sewer services for the Town of Kiefer.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the cash basis of accounting, is used as appropriate:

A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The General Fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Special Sales Tax - The fund reports the use of designated sales tax revenue.

Capital Projects Fund - This fund reports activity associated with the acquisition or construction of Town assets.

Proprietary Funds - The Town reports the following major enterprise funds:

Kiefer Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Board of Trustees may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Board of Trustees. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Board approval. Revisions to the budget were made during the year.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories and prepaids are not reported under the modified cash basis of accounting.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30
Utility system	5-50

Compensated Absences

The Town does not report compensated absences under the modified cash basis of accounting.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$808,223 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$811,615.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2013.

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitors the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2013, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - ACCOUNTS RECEIVABLE

The Town does not report accounts receivable under the modified cash basis.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

There were no interfund receivables or payables reported at June 30, 2013.

NOTE E- CAPITAL ASSETS

Changes in capital assets.

The following table provides a summary of changes in capital assets:

	<u>CAPITAL ASSETS, DEPRECIATED</u>				<u>Capital Assets Not Depreciated</u>
	<u>Buildings</u>	<u>Infrastructure & Improvements Other Than Buildings</u>	<u>Furniture, Machinery, And Equipment</u>	<u>Totals</u>	<u>Land</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Balance, June 30, 2012	\$ 560,425	\$ 96,236	\$ 642,330	\$1,298,991	\$ 203,500
Increases	-	-	468,225	468,225	-
Decreases	-	-	(30,119)	(30,119)	-
Balance, June 30, 2013	<u>560,425</u>	<u>96,236</u>	<u>1,080,436</u>	<u>1,737,097</u>	<u>203,500</u>
Accumulated Depreciation					
Balance, June 30, 2012	197,734	41,514	378,662	617,910	
Increase	14,214	4,812	54,621	73,647	
Decreases	-	-	(20,376)	(20,376)	
Balance, June 30, 2013	<u>211,948</u>	<u>46,326</u>	<u>412,907</u>	<u>671,181</u>	
Governmental Activities Capital Assets, Net	<u>\$ 348,477</u>	<u>\$ 49,910</u>	<u>\$ 667,529</u>	<u>\$1,065,916</u>	<u>\$ 203,500</u>
Business-type activities					
Balance, June 30, 2012	\$ 19,948	\$1,190,309	\$ 154,664	\$1,364,921	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	<u>19,948</u>	<u>1,190,309</u>	<u>154,664</u>	<u>1,364,921</u>	<u>-</u>
Accumulated Depreciation					
Balance, June 30, 2012	7,721	520,941	38,106	566,768	
Increase	997	33,875	15,227	50,099	
Decreases	-	-	-	-	
Balance, June 30, 2013	<u>8,718</u>	<u>554,816</u>	<u>53,333</u>	<u>616,867</u>	
Business-type Activities Capital Assets, Net	<u>\$ 11,230</u>	<u>\$ 635,493</u>	<u>\$ 101,331</u>	<u>\$ 748,054</u>	<u>\$ -</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 359,707</u>	<u>\$ 685,403</u>	<u>\$ 768,860</u>	<u>\$1,813,970</u>	<u>\$ 203,500</u>

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES

General government	\$ 14,028
Public Safety	51,762
Streets	4,812
Parks	3,045

BUSINESS-TYPE ACTIVITIES

Public works	\$ 50,099
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NOTE F - BONDS PAYABLE

State statutes prohibit the Town from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the Town's voters. A bond issue has been approved by the voters and issued by the Town for capital projects. General obligation bonds are required to be fully paid serially within 25 years or less from the date of issue.

General long-term debt of the Town consists of bonds payable and lease obligations. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

\$150,000 Building Bonds of 2006 on June 1, 2006. Annual principal payments of \$15,000 are due each June 1 from 2006 through 2015. The bonds have an interest rate which varies from 3% to 4%.

\$ 45,000

\$400,000 General Obligation Bonds of 2012 on June 1, 2012. Annual principal payments of \$15,000 are due each June 1 from 2012 through 2022. The bonds have an interest rate which varies from 1.3% to 3%.

400,000

Total bonds payable

\$ 445,000

Principal and interest amounts due in future years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 55,000	\$ 8,905	\$ 63,905
2015	70,000	7,120	77,120
2016	40,000	5,280	45,280
2017	40,000	4,760	44,760
2018	40,000	4,200	44,200
2019-2022	<u>200,000</u>	<u>10,400</u>	<u>210,400</u>
Totals	<u>\$ 445,000</u>	<u>\$ 40,665</u>	<u>\$ 485,665</u>

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE G - LEASE PURCHASE OBLIGATIONS

The Town has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the Town the ability to terminate the lease agreements at the end of each fiscal year.

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<u>Year Ended June 30</u>	<u>PWA Backhoe</u>	<u>Police Truck</u>	<u>Police Car</u>	<u>Total</u>
2014	\$ 6,245	\$ 9,160	\$ 8,554	\$ 23,959
2015	4,165	9,160	8,554	21,879
2016	-	-	8,554	8,554
Total minimum lease payment	10,410	18,320	25,662	45,838
Less: Amount representing interest	1,013	1,667	3,047	5,727
Present value of future minimum lease payments	<u>\$ 9,397</u>	<u>\$ 16,653</u>	<u>\$ 22,615</u>	<u>\$ 48,665</u>

NOTE H - NOTES PAYABLE PROPRIETARY FUND

The Authority has incurred indebtedness for acquisition of equipment. The following is a summary of note payable transactions for the year ended June 30, 2013.

	<u>Payable at July 1, 2012</u>	<u>Addition/ Retirements</u>	<u>Balance at June 30, 2013</u>
American Heritage Bank	\$ 9,546	\$ (7,450)	\$ 2,096
	<u>\$ 9,546</u>	<u>\$ (7,450)</u>	<u>\$ 2,096</u>

A brief description of the outstanding notes payable at June 30, 2013 is set forth below:

<u>Outstanding</u>	<u>Amount</u>
American Heritage Bank loan dated September 25, 2010, original loan amount of \$35,031, interest rate 4.8%, principal and interest payable monthly at \$659 per month until September 25, 2013	2,096
Total	<u>\$ 2,096</u>

The annual principal payments due over the next five years and thereafter are as follows. Actual debt service requirements will vary depending on the variable interest rate in effect at the time of payment.

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,096	\$ 27	\$ 2,123
Total	<u>\$ 2,096</u>	<u>\$ 27</u>	<u>\$ 2,123</u>

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE I - CONTRIBUTED CAPITAL

The Town records grants, entitlements, contributed fixed assets, or shared revenues received by its funds for operations, capital acquisition, and/or construction as contributed capital. Depreciation is recognized on assets acquired with these funds.

NOTE J - UTILITY DEPOSITS

The Authority recorded a liability of \$71,054 for customer utility deposits at June 30, 2013. The deposit is refundable upon termination of utility service.

NOTE K - PENSION OBLIGATIONS

The Town participates in two pension plans.

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligations and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% Of final average salary multiplied By the years of credited service with A maximum of 30 years considered; If vested, at or after age 50, or After 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years

TOWN OF KIEFER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 1,200	100%
2013	1,080	100%
2012	960	100%
2011	960	100%

The Town paid the Fiscal Year 2014 contribution in May 2013.

The Town allows employees to participate in a Section 457 retirement plan. Governmental or non-profit units may establish a retirement plan under this section. Employees are allowed to select an amount up to statutory limits to contribute to the plan each year. The Town does not contribute to the plan. Benefits from the plan will be determined based on the amount contributed by the employee plus earnings of the investment.

NOTE L - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M - LITIGATION

The Town is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town. The Town retains legal council for legal proceedings. The Town may also be represented by attorneys retained by its insurance carrier.

NOTE N - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE O - SUBSEQUENT EVENTS

The Town evaluated subsequent events through January 15, 2014, the date which financial statements were available, to determine if any items need to be disclosed. The Town is not aware of any items which need disclosure.

TOWN OF KIEFER, OKLAHOMA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 MODIFIED CASH BASIS
 JUNE 30, 2013

	<u>Special Police</u>	<u>Park</u>	<u>Special Fire</u>	<u>Court</u>	<u>Total Nonmajor Funds</u>
ASSETS					
Cash and cash equivalents	\$ 357	\$ 383	\$ 32,889	\$ 17,798	\$ 51,427
TOTAL ASSETS	<u>\$ 357</u>	<u>\$ 383</u>	<u>\$ 32,889</u>	<u>\$ 17,798</u>	<u>\$ 51,427</u>
LIABILITIES AND FUND BALANCES					
FUND BALANCES					
Assigned	<u>357</u>	<u>383</u>	<u>32,889</u>	<u>17,798</u>	<u>51,427</u>
TOTAL FUND BALANCES	<u>357</u>	<u>383</u>	<u>32,889</u>	<u>17,798</u>	<u>51,427</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 357</u>	<u>\$ 383</u>	<u>\$ 32,889</u>	<u>\$ 17,798</u>	<u>\$ 51,427</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KIEFER, OKLAHOMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2013

	Special Police	Park	Special Fire	Court	Total Nonmajor Funds
REVENUES					
Fines and forfeits	\$ -	\$ -	\$ -	\$ 64,501	\$ 64,501
Fire contracts/services	-	-	10,453	-	10,453
Donations	-	-	1,767	-	1,767
TOTAL REVENUES	-	-	12,220	64,501	76,721
EXPENDITURES					
Current					
Park	-	309	-	-	309
Public safety	460	-	-	7,136	7,596
TOTAL EXPENDITURES	460	309	-	7,136	7,905
Excess of revenues over (under) expenditures	(460)	(309)	12,220	57,365	68,816
Other financing sources (uses)					
Transfer in	-	600	-	-	600
Transfer out	-	-	-	(48,000)	(48,000)
Total other financing sources (uses)	-	600	-	(48,000)	(47,400)
Net change in fund balances	(460)	291	12,220	9,365	21,416
Fund balances, beginning	817	92	20,669	8,433	30,011
Fund balances, ending	<u>\$ 357</u>	<u>\$ 383</u>	<u>\$ 32,889</u>	<u>\$ 17,798</u>	<u>\$ 51,427</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the Board of Trustees
Town of Kiefer
Kiefer, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Kiefer, Oklahoma, modified cash basis, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Kiefer's basic financial statements and have issued my report thereon dated January 15, 2014 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Kiefer's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Kiefer's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Kiefer's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

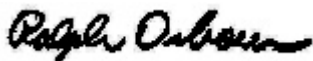
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Kiefer, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
January 15, 2014